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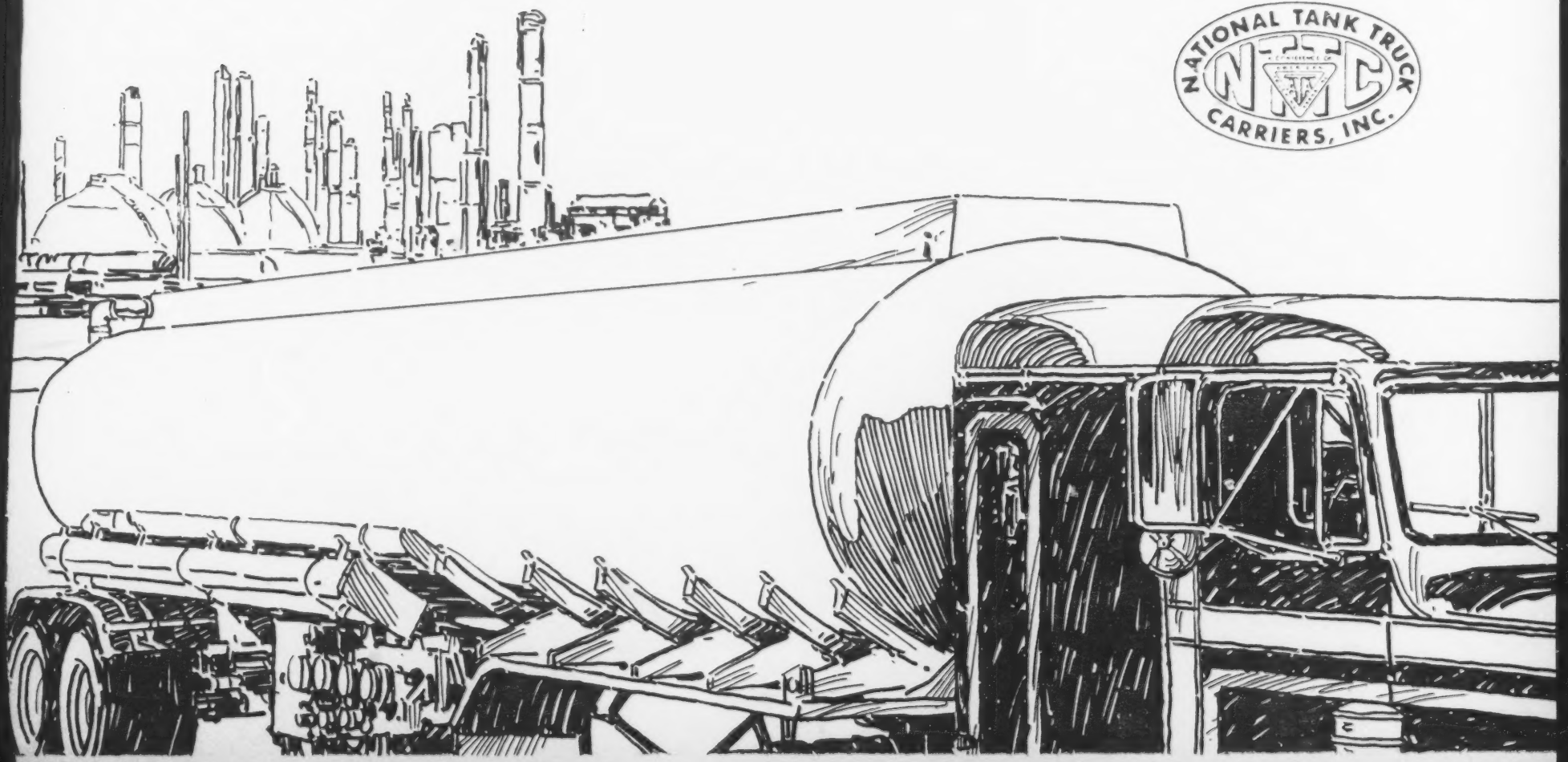
A Financial Analysis of the For-Hire Tank Truck Industry 1979 and first half of 1980



The For-Hire Tank Truck Industry

Introduction

Since its inception in 1973, this annual financial analysis has been designed to provide education and information to scholars, research analysts and investors interested in the for-hire tank truck industry. The over-view nature of this publication, and its financial analysis of recent years of tank truck operating statistics, hopefully will provide information to those people studying transportation in general and bulk common carriers specifically. The tank truck industry has long been a provider of transportation for gasoline, diesel fuel, propane and other petroleum products. Recently, the industry has become known as a major link in the "energy transportation" system.

Therefore, in this annual "Financial Analysis of the For-Hire Truck Industry," NTTC will continue the format of providing historical, as well as statistical data, in order to provide a better overall perspective of this industry for the reader.

History & Development

The concept of regulated bulk highway transportation came into existence upon passage of Part II of the Interstate Commerce Act in 1935. The passage of this legislation created the environment which fostered the growth of companies which provide reliable truck transport service to the general shipping public. In the years prior to Federal economic regulation, this highly specialized segment of the motor carrier industry suffered from the same problems that the rest of the trucking industry experienced. Truck operators fought each other for a limited amount of business. Cut-throat competition was the order of the day. This resulted in undercapitalized carriers operating vehicles which they could not afford to maintain adequately and created a significant threat to highway safety. The problems of the infant industry resulted in an unstable motor carrier system, bankrupting many carriers and thereby eliminating service in some areas.

World War II was the setting for the firm establishment of the tank truck industry. The war effort required enormous use of petroleum and petroleum products. With railroads handling troop and materiel movements and long haul freight transportation, the tank truck carrier filled the service vacuum in providing short haul delivery of product throughout the United States.

In the years following the war, America's industrial and personal philosophy changed. Industry, for the first time in two hundred years, was moving away from the rivers which previously supplied power and transportation. As the interstate highway system was built, manufacturing tapped new labor sources in previously inaccessible areas. The cost of maintaining inventory and the cost of money became important factors in daily business.

The tank truck industry was ideally suited to perform the transportation functions of the dispersed industries. No longer were large volume deliveries of raw materials required. Industry needed smaller loads of a multitude of newly developed processed chemicals and petroleum products. Builders were erecting plant sites far off rail sidings, and suburbia was sprouting res-

idential housing developments along the arteries of interstate highways all over the nation.

The for-hire tank truck industry, working in concert with its equipment suppliers, developed the tank vehicles to meet the new challenges and handle the new more exotic transportation needs of the industry.

While petroleum products still represent a large percentage of many carriers' business volumes, over the years dry bulk cement, foodstuffs, chemicals, pelletized and powdered plastics and many other products which required flexible transportation service came to the for-hire tank truck fleets.

Under the economic regulation of the Interstate Commerce Commission, for 45 years common carriers were protected from the ravages of the destructive competition which nearly led to the destruction of the industry in the 1920's and early 1930's. With this guarantee of a realistic operating environment, common carriers took on an obligation to serve all cities and customers in his territory without prejudice and discrimination. This guaranteed, reliabe pipeline of transportation service enabled industry to disperse, diversify, plan and expand, and fostered the tank truck industry's growth.

Over the last few years, the concept of economic regulation has come under heavy criticism from various sources—Congress, the Administration and the ICC itself. The reaction of the Commission has been considerable self-reform, resulting in changes away from traditional policy regarding carrier entry into the market, price competition, the role of private carriage, the concept of collective ratemaking and other areas integral to the concept of common carriage. Many of these concepts were included in the major amendment to the Interstate Commerce Act—The Motor Carrier Act of 1980—which was enacted in July 1980.

These changes affect all motor carriers subject to the Interstate Commerce Act, some more heavily than others. The tank truck industry is in a rather unique position vis-a-vis the changing regulatory climate. The specialized nature and cost of its equipment, high level of safety, and concern of major shippers for safe operations make it less susceptible to the inevitable upheavals caused by relaxation of the regulatory scheme than other types of motor carriers.

Today, for-hire tank trucks provide efficient, safe and reliable service to all segments of the nation's economy—from the giant corporation to the independent retailer and they will continue to perform these vital services in the future.

The Market

The tank truck industry serves a large and diversified market. From the early days of petroleum and fuel oil hauls, service has been the key. The industry caters to the shipper that has a time factor involved in his business. Technology which has developed since 1945 has enabled the for-hire carrier not only to transport many products unheard of prior to 1940, but to deliver them with the purity and integrity that the user demands.

Prior to 1960, the tank truck industry was composed mainly of family-owned companies operated by individual entrepreneurs. The growth of the industry since 1960 has dictated the expansion of management and management techniques at all levels of operations. "Merger-fever" impacted the tank truck industry during the 1960's. Since then tank truck carriers have tended to grow larger, gross revenues have increased, while the total number of carriers has decreased.

This change in complexion of a large part of the industry is also reflective of changes in demand. As petroleum became a relatively smaller segment of revenues, other products have taken on more significance. Years ago the pipeline and railroad provided the industry's major competition. Today through cooperative efforts, they are becoming partners in providing intermodal transportation services. The enormous tonnage capacities of pipelines and railroads provide long-haul movement which have created increasing demand for the tank truck carrier's ability to provide timely and reliable end user delivery service. The vast number of ex-rail and pipeline terminals have created high volume short haul business of a highly stable nature for for-hire tank carriers in all areas of the United States.

However, the inherent flexibility of truck and highway, while providing our working environment, also provides the greatest competition—private carriage. The ability of an individual manufacturer to buy his own trucks to deliver his own products, without any commitment or responsibility to provide service to anyone else, means that the for-hire carrier must offer customized, flexible and reliable services in order to discourage the installation and/or expansion of proprietary truck operations.

FINANCIAL ANALYSIS 1978-79

Introduction

In developing the tank truck industry analysis for 1978 and 1979 one must consider the momentous events of the late 1970's which affected all sectors of the trucking industry.

During 1978 and 1979, the Federal agency governing common carriage, the Interstate Commerce Commission (ICC), completely reversed its position regarding entry into the marketplace. Historically, the Commission required new market entrants to prove, among other things, that existing carriers could not provide the service required, before conferring any operating authority. In addition, new entrants were required to prove that the revenue base of existing carriers would not be adversely affected so as to be detrimental to their ability to continue to service the market. These factors limited entry and competition in the for-hire segment of the industry. Beginning in 1978, and continuing through the July 1, 1980 legislation amending the Interstate Commerce Act, the Commission reversed this forty year old policy and began allowing entry with only perfunctory proof of public need for service. While this created much new competition within the trucking industry, especially in the truckload general freight business, the tank truck industry was spared the influx of new market entrants due to the capital cost and operating expertise involved in its equipment. The major change and source of new competition in this industry segment came in the area of service. As the ICC allowed freer grants of operating authority, established tank truck common carriers expanded their areas of service to new markets by extending existing operating authority. This trend of existing carriers competing on a wider geographic basis will continue. Likewise, as grants of operating authority have become more numerous, the value of the operating authority certificates has declined. These certificates, carried as intangible assets on the books of many carriers, lost their value as the ICC (in effect) flooded the industry with new and overlapping authorizations. Based on five year historical data, the tank truck industry shows these intangible assets generally at a level of 3.5%-4% of their total assets, equal to 10% of equity. This figure, when compared to the 13 +% average for the entire trucking industry and 16 + % average for the regular route general commodity carriers' intangibles to equity, indicates that less of an impact will be felt in the tank truck segment when that portion of the intangible assets are written off according to new accounting standards effective in 1980.

A Five-Year "Performance" Overview of Industry Analytical Data

The number of qualifying carriers employed in the 1979-78 analysis declined year-to-year reflecting the general industry trend toward fewer but larger carriers. However, it should be noted that the summary figures probably exaggerate the decrease in carriers listed because of changes in ICC reporting requirements.

The one hundred seventy-two qualifying carriers, at year-end 1979, reported an industry operating ratio of 94.09. Although this overall test of operating efficiency was a modest 15 basis point improvement over that posted in the preceding year, it was a 78 basis point improvement over the industry's average during the preceding five years. When viewed in terms of the tank truck industry's cyclical nature, the 1979 operating ratio marked a 202 basis point gain from that reported during 1975.

At year-end 1979, operating expenses had risen 17.1% from that posted the prior year—reflecting increases in the cost of fuel and labor. Another element contributing to this increase in operating expenses came from purchased transportation which totalled $487.8 million in 1979, up 17.8% year-to-year. This put the tank truck industry's bill for purchased transportation at 22% of gross operating revenues—the highest in five years—probably the highest in its history.

This percentage of purchased transportation is twice that of the American Trucking Association's "composite" for general freight carriers and underlines the trend, in the tank truck segment, to handle additional service requirements through "off balance sheet" transactions.

Gross operating revenue for the tank truck industry established a new record high reaching $2.2 billion in 1979, up $327 million from 1978's report. This year-to-year gain in revenues mirrored the improved business climate assisted by rate increases, including the fuel surcharge

pass through mandated by the Interstate Commerce Commission. Among the one hundred seventy-two carriers reporting, average revenue per carrier was $12.9 million, up 17.3% year-to-year. While heavily influenced by the largest carriers (those with gross operating revenues in excess of $10 million), the 1979 results are more than double the average revenue per carrier posted in 1975. Gross operating revenues to shareholder equity averaged a relatively stable 5.04 to 6 during the five year period, but reached a high point of 5.20 to 6 at the close of 1979. Pre-tax income of $95.7 million in 1979 advanced 14.1% from that posted the prior year. Pre-tax income to gross operating revenues was 4.3%, the second best margin in five years. Net income (after taxes) was $69.5 million, or more than 3.5 times that posted in 1975. Though the "composite" figures show a slight decline in profitability at year-end 1979 versus 1978, these carriers have become increasingly profitable over the past five years.

While the percentage of current assets and liabilities to total footings remained stable over the five year period, working capital showed continued improvement reaching $93.3 million in 1979—a gain of $29.0 million over the prior year. Days of cash operating expenses in working capital exceeded 17 days at year-end 1979, a gain of more than 3½ days from 1978 and more than 2½ days above the five year industry average. Average days collection period was 31.8 days in 1979 only slightly above the 30.3 day average for the past five years. This indicates a tendency among shippers, as in all of business, to become more concerned with cash management. The industry's current ratio reached a high of 1.3 to 1 at the close of 1979 and, as in prior years, is satisfactory for this industry.

During 1979, the one hundred seventy-two carriers showed total funded debt increasing 14.9% to $392.6 million. Cash throw to total funded debt rose year-to-year reaching 49.19% in 1979. This ratio would indicate the theoretical ability to pay-off total funded debt in just over two years. It should be noted, however, that the cash throw figure includes a large number of carriers (mostly small) which did not have access to revolving credit agreements. Perhaps a better measure of debt coverage for the industry analysis is the ratio of cash throw to funded debt due within one year (current maturities). The 241.3%, in 1979, provided for excellent coverage of current debt—the best in five years. Further, despite a slight decline in 1976, the current portion of long term debt rose steadily (in dollar amount) over the five years reaching $80.0 million in 1979. In terms of non-cash sources of debt repayment, depreciation alone was $39.9 million in excess of funded debt due within one year. Shareholder's equity posted a 14.0% increase in 1979 to a record $426.3 million—about $177 million short of the net carrier operating property. This inverse relationship between equity and operating property first occurred during 1977 and seems to imply that retained earnings from operations are not keeping pace with the ever-increasing costs of new and replacement equipment/facilities. Total capital, however, continues to provide more than "dollar-for-dollar" coverage of net carrier operating property. Total funded debt to equity was .92 to 1 in 1979, relatively unchanged over the five year period. Net debt to equity was .51 to 1 in 1979, almost unchanged from the .49 to 1 posted five years earlier. Funded debt to tangible net worth was 1.01 to 1 in 1979 and 1978 which (while modest) indicates that the tank truck industry (in general) is considerably more leveraged than other segments within the U.S.A.'s motor carrier industry.

In summary, profit's have improved for the carriers reporting results since 1975 and the industry's liquidity has remained relatively constant throughout the period. The industry faces problems, due to inflation and high interest rates, as the cost of replacement of operating equipment has outpaced the growth of carrier equity. However, the latter situation is not unique to the tank truck industry. It is symptomatic of American business in general.

A Two-Year Overview of "Comparative" Analytical Data

The data of the tank truck industry available for study includes only those carriers which filed comparable reports to the ICC in 1979 and 1978 to ensure compatibility of analysis. To facilitate the year-to-year comparison of the one hundred seventy-two qualifying carriers in this analysis, four distinct revenue segments have been established. Segment I, (S-I) consists of 6 carriers with gross revenues under $1 million per annum. Segment II, (S-II), consists of 78 carriers with gross revenues from $1 million-$5 million per annum. The third group, S-III, consists of 46 carriers with gross revenues from $5 million-$10 million per annum. The largest 42 carriers, with gross revenues in excess of $10 million per annum, comprise the S-IV segment.

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Composite Financial Statement of

(All Dollar Figures

	TOTAL ALL CARRIERS				TOTAL OVER $1 MILLION			
NUMBER OF CARRIERS	172				166			
	$ 1979	%	$ 1978	%	$ 1979	%	$ 1978	%
BALANCE SHEET: INCOME & EXPENSE DATA								
GROSS REVENUES	2215.63	100.0	1888.16	100.0	2209.38	100.0	1882.94	100.0
DEPRECIATION	119.89	5.4	102.90	5.5	119.55	5.4	102.54	5.4
PURCHASED TRANSPORTATION	487.80	22.0	394.51	20.9	486.20	22.0	393.36	20.9
TOTAL OPERATING EXPENSES	2084.62	94.1	1780.23	94.3	2078.77	94.1	1775.31	94.3
NET CARRIER OPERATING INCOME	131.01	5.9	107.92	5.7	130.61	5.9	107.64	5.7
INTEREST EXPENSE	46.16	2.1	31.27	1.7	46.09	2.1	31.19	1.7
NET INCOME BEFORE TAXES	95.68	4.3	83.83	4.4	95.26	4.3	83.56	4.4
INCOME TAXES—CURRENT	22.59	1.0	18.10	1.0	22.53	1.0	18.10	1.0
DEFERRED INCOME TAXES	7.07	0.3	8.73	0.5	7.08	0.3	8.72	0.5
EQUITY IN EARNINGS OF AFFILIATED COMPANIES	3.34	0.2	2.47	0.1	3.27	0.1	2.39	0.1
NET INCOME AFTER TAXES	69.53	3.1	60.24	3.2	69.09	3.1	59.90	3.2
CASH THROW	193.14	N/A	169.39	N/A	192.45	N/A	168.77	N/A
AVERAGE REVENUE PER CARRIER	12.88	N/A	10.98	N/A	13.31	N/A	11.34	N/A
BALANCE SHEET: ASSETS								
CASH	92.02	8.2	78.33	7.9	91.45	8.1	77.94	7.9
RECEIVABLES FROM AFFILIATED COMPANIES	41.85	3.7	35.12	3.6	41.78	3.7	35.08	3.6
NOTES & ACCOUNTS RECEIVABLE	193.09	17.1	159.62	16.2	192.69	17.2	159.29	16.2
PREPAID EXPENSES	37.68	3.3	35.11	3.6	37.62	3.3	35.05	3.6
MATERIALS & SUPPLIES	28.88	2.6	22.82	2.3	28.84	2.6	22.80	2.3
OTHER CURRENT ASSETS	2.07	0.2	1.54	0.2	2.07	0.2	1.54	0.2
TOTAL CURRENT ASSETS	395.59	35.1	332.54	33.7	394.45	35.1	331.72	33.7
CARRIER OPERATING PROPERTY—COST	1185.85	105.2	1066.82	108.0	1182.24	105.3	1063.32	108.1
RESERVE FOR DEPRECIATION	582.24	51.6	530.88	53.8	580.17	51.7	528.89	53.8
CARRIER OPERATING PROPERTY—NET	603.60	53.5	535.94	54.3	602.08	53.6	534.43	54.3
TOTAL TANGIBLE PROPERTY	610.76	54.2	542.84	55.0	609.23	54.2	541.33	55.0
INTANGIBLES	37.27	3.3	35.32	3.6	37.19	3.3	35.25	3.6
OTHER ASSETS	83.81	7.4	76.93	7.8	82.30	7.3	75.62	7.7
TOTAL ASSETS	1127.43	100.0	987.63	100.0	1123.17	100.0	983.91	100.0
BALANCE SHEET: LIABILITIES & EQUITY								
PAYABLES TO AFFILIATES	18.14	1.6	17.57	1.8	18.07	1.6	17.52	1.8
NOTES PAYABLE	15.13	1.3	10.04	1.0	14.94	1.3	9.88	1.0
ACCOUNTS PAYABLE	102.31	9.1	93.19	9.4	102.08	9.1	93.09	9.5
MISCELLANEOUS PAYABLES & ACCRUALS	24.99	2.2	21.27	2.2	24.94	2.2	21.22	2.2
TAXES PAYABLE	17.44	1.5	16.54	1.7	17.39	1.5	16.53	1.7
FUNDED DEBT DUE WITHIN ONE YEAR	80.03	7.1	71.17	7.2	79.82	7.1	70.96	7.2
OTHER CURRENT LIABILITIES	44.30	3.9	38.16	3.9	44.19	3.9	38.08	3.9
TOTAL CURRENT LIABILITIES	302.33	26.8	267.96	27.1	301.43	26.8	267.28	27.2
ADVANCES PAYABLE	16.21	1.4	12.75	1.3	16.21	1.4	12.75	1.3
FUNDED DEBT DUE AFTER ONE YEAR	312.61	27.7	270.41	27.4	312.27	27.8	270.06	27.4
TOTAL LONG TERM DEBT	328.82	29.2	283.15	28.7	328.48	29.2	282.81	28.7
TOTAL FUNDED DEBT	392.63	34.8	341.58	34.6	392.09	34.9	341.02	34.7
RESERVES & ESTIMATED LIABILITIES	9.85	0.9	9.01	0.9	9.85	0.9	9.00	0.9
ACCUMULATED DEFERRED TAX CREDITS	60.14	5.3	53.56	5.4	60.09	5.4	53.50	5.4
TOTAL LIABILITIES	701.14	62.2	613.67	62.1	699.86	62.3	612.59	62.3
STOCKHOLDER'S EQUITY	426.30	37.8	373.96	37.9	423.32	37.7	371.32	37.7
TOTAL CAPITAL	755.11	67.0	657.11	66.5	751.80	66.9	654.13	66.5
TOTAL LIABILITIES & EQUITY	1127.43	100.0	987.63	100.0	1123.17	100.0	983.91	100.0

the Tank Truck Industry 1979-1978

in Millions)

TOTAL UNDER $1 MILLION				$1-5 MILLION				$5-10 MILLION				OVER $10 MILLION			
6				78				46				42			
$ 1979	%	$ 1978	%	$ 1979	%	$ 1978	%	$ 1979	%	$ 1978	%	$ 1979	%	$ 1978	%
6.25	100.0	5.21	100.0	267.06	100.0	228.34	100.0	399.72	100.0	334.70	100.0	1542.60	100.0	1319.90	100.0
0.34	5.4	0.36	6.8	13.45	5.0	12.00	5.3	17.92	4.5	15.23	4.6	88.17	5.7	75.31	5.7
1.60	25.5	1.15	22.1	59.84	22.4	50.48	22.1	86.54	21.6	67.78	20.3	339.82	22.0	275.10	20.8
5.86	93.7	4.93	94.5	254.16	95.2	218.12	95.5	379.96	95.1	316.71	94.6	1444.64	93.7	1240.47	94.0
0.40	6.3	0.28	5.5	12.39	4.8	10.22	4.5	19.76	4.9	17.99	5.4	97.96	6.4	79.43	6.0
0.07	1.1	0.07	1.4	3.51	1.3	2.44	1.1	5.91	1.5	4.25	1.3	36.68	2.4	24.50	1.9
0.42	6.7	0.27	5.2	11.70	4.4	9.64	4.2	14.87	3.7	14.66	4.4	68.69	4.5	59.26	4.5
0.06	0.9	0.01	0.1	1.77	0.7	2.15	0.9	3.02	0.8	3.36	1.0	17.74	1.2	12.59	1.0
0.00	(0.1)	0.01	0.3	0.46	0.2	0.32	0.1	1.23	0.3	1.06	0.3	5.40	0.4	7.33	0.6
0.07	1.2	0.09	1.7	0.05	0.0	0.10	0.0	2.02	0.5	0.73	0.2	1.20	0.1	1.56	0.1
0.44	7.0	0.34	6.4	9.59	3.6	7.27	3.2	12.79	3.2	10.92	3.3	46.72	3.0	41.71	3.2
0.70	N/A	0.62	N/A	23.45	N/A	19.50	N/A	29.92	N/A	26.49	N/A	139.08	N/A	122.80	N/A
1.04	N/A	0.87	N/A	3.42	N/A	2.93	N/A	8.69	N/A	7.28	N/A	36.73	N/A	31.43	N/A
0.57	13.4	0.39	10.5	13.40	9.8	11.68	10.0	16.80	9.3	14.39	9.4	61.25	7.6	51.87	7.3
0.07	1.6	0.04	1.2	2.77	2.0	2.37	2.0	3.44	1.9	2.78	1.8	35.57	4.4	29.93	4.2
0.40	9.5	0.33	8.8	23.54	17.3	20.25	17.3	31.97	17.7	27.43	17.9	137.18	17.0	111.62	15.6
0.06	1.4	0.05	1.4	5.17	3.8	4.94	4.2	5.57	3.1	4.96	3.2	26.88	3.3	25.15	3.5
0.03	0.8	0.01	0.4	3.45	2.5	2.48	2.1	5.79	3.2	3.94	2.6	19.61	2.4	16.39	2.3
0.00	0.0	0.00	0.0	0.45	0.3	0.18	0.2	0.24	0.1	0.18	0.1	1.39	0.2	1.19	0.2
1.14	26.7	0.83	22.3	48.78	35.8	41.90	35.7	63.80	35.3	53.68	35.1	281.87	35.0	236.14	33.1
3.60	84.6	3.50	94.1	155.95	114.3	138.32	118.0	193.80	107.3	171.79	112.2	832.49	103.3	753.21	105.6
2.08	48.7	1.99	53.5	87.88	64.4	80.96	69.1	100.89	55.8	91.99	60.1	391.40	48.6	355.94	49.9
1.53	35.9	1.51	40.6	68.07	49.9	57.36	48.9	92.91	51.4	79.79	52.1	441.10	54.7	397.28	55.7
1.53	35.9	1.51	40.7	72.41	53.1	61.29	52.3	93.65	51.8	80.25	52.4	443.17	55.0	399.79	56.0
0.08	1.9	0.07	2.0	2.56	1.9	2.36	2.0	4.85	2.7	4.18	2.7	29.79	3.7	28.71	4.0
1.51	35.5	1.30	35.1	12.64	9.3	11.68	10.0	18.35	10.2	15.04	9.8	51.31	6.4	48.90	6.9
4.26	100.0	3.71	100.0	136.38	100.0	117.23	100.0	180.65	100.0	153.14	100.0	806.14	100.0	713.54	100.0
0.07	1.6	0.05	1.4	2.83	2.1	1.88	1.6	2.79	1.5	2.82	1.8	12.45	1.5	12.83	1.8
0.18	4.3	0.16	4.4	5.74	4.2	4.84	4.1	4.21	2.3	3.30	2.2	4.99	0.6	1.75	0.2
0.23	5.4	0.10	2.7	14.15	10.4	11.62	9.9	18.23	10.1	13.82	9.0	69.70	8.6	67.65	9.5
0.05	1.2	0.06	1.5	2.82	2.1	2.48	2.1	4.36	2.4	3.64	2.4	17.76	2.2	15.10	2.1
0.05	1.2	0.01	0.3	1.24	0.9	1.37	1.2	2.13	1.2	2.62	1.7	14.02	1.7	12.54	1.8
0.20	4.8	0.21	5.7	8.74	6.4	7.70	6.6	13.74	7.6	12.26	8.0	57.34	7.1	51.00	7.1
0.11	2.5	0.08	2.1	3.74	2.7	3.38	2.9	6.93	3.8	6.40	4.2	33.52	4.2	28.30	4.0
0.90	21.0	0.67	18.2	39.26	28.8	33.26	28.4	52.39	29.0	44.87	29.3	209.78	26.0	189.15	26.5
0.00	0.0	0.00	0.0	1.64	1.2	1.97	1.7	6.95	3.8	5.63	3.7	7.63	0.9	5.15	0.7
0.34	7.9	0.34	9.2	25.28	18.5	20.31	17.3	34.92	19.3	29.83	19.5	252.07	31.3	219.92	30.8
0.34	7.9	0.34	9.2	26.92	19.7	22.28	19.0	41.87	23.2	35.46	23.2	259.70	32.2	225.07	31.5
0.54	12.7	0.56	15.0	34.02	24.9	28.01	23.9	48.66	26.9	42.09	27.5	309.41	38.4	270.92	38.0
0.00	0.0	0.01	0.1	1.36	1.0	1.23	1.1	0.77	0.4	0.58	0.4	7.71	1.0	7.19	1.0
0.05	1.2	0.05	1.5	3.92	2.9	3.27	2.8	6.64	3.7	5.80	3.8	49.53	6.1	44.44	6.2
1.28	30.1	1.08	29.0	71.46	52.4	60.04	51.2	101.67	56.3	86.70	56.6	526.72	65.3	465.85	65.3
2.98	69.9	2.64	71.0	64.92	47.6	57.19	48.8	78.98	43.7	66.44	43.4	279.42	34.7	247.69	34.7
3.31	77.8	2.98	80.2	91.83	67.3	79.47	67.8	120.84	66.9	101.90	66.5	539.12	66.9	472.76	66.3
4.26	100.0	3.71	100.0	136.38	100.0	117.23	100.0	180.65	100.0	153.14	100.0	806.14	100.0	713.54	100.0

Comparative Analytical Data

(All Dollar Figu

	TOTAL ALL CARRIERS				TOTAL OVER $1 MILLIO			
NUMBER OF CARRIERS	172				166			
	1979	**%**	**1978**	**%**	**1979**	**%**	**1978**	
LIQUIDITY DATA:								
WORKING CAPITAL	$93.26		$64.59		$93.01		$64.43	
CURRENT RATIO	1.31		1.24		1.31		1.24	
DAYS CASH OPERATING EXPENSE IN WORK CAPITAL (DAYS)	17.12		13.92		17.12		13.92	
AVERAGE DAYS COLLECTION PERIOD (DAYS)	31.81		30.86		31.83		30.88	
LEVERAGE & DEBT SERVICE:								
TOTAL FUNDED DEBT TO EQUITY	0.92		0.91		0.93		0.92	
NET DEBT TO EQUITY	0.51		0.55		0.52		0.55	
FUNDED DEBT TO TANGIBLE NET WORTH	1.01		1.01		1.02		1.01	
CASH THROW TO FUNDED DEBT DUE IN ONE YEAR		241.35		238.00		241.10		237.
CASH THROW TO TOTAL FUNDED DEBT		49.19		49.59		49.08		49.
INTEREST TO TOTAL FUNDED DEBT		11.76		9.15		11.76		9.
NET CARRIER PROPERTY TO EQUITY	1.42		1.43		1.42		1.44	
OPERATING AND EFFICIENCY RATIOS:								
GROSS REVENUES TO EQUITY	5.20		5.05		5.22		5.07	
GROSS REVENUES TO TOTAL CAPITAL	2.93		2.87		2.94		2.88	
GROSS REVENUES TO NET CARRIER OPERATING PROPERTY	3.67		3.52		3.67		3.52	
GROSS REVENUES TO CARRIER OPERATING PROPERTY (COST)	1.87		1.77		1.87		1.77	
PRE-TAX INCOME TO GROSS REVENUES		4.32		4.44		4.31		4.
PRE-TAX INCOME TO TOTAL CAPITAL		12.67		12.76		12.67		12.
AFTER TAX INCOME TO GROSS REVENUES		3.14		3.19		3.13		3.
AFTER TAX INCOME TO EQUITY		16.31		16.11		16.32		16.
RETURN ON TRANSPORTATION INVESTMENT		18.80		17.97		18.79		17.
EXPENSE RATIO	96.17		95.94		96.17		95.94	
OPERATING RATIO	94.09		94.28		94.09		94.28	
ADDITIONAL RATIOS:								
RECEIVABLES TO PAYABLES	1.64		1.55		1.65		1.55	
DEPRECIATION TO DEBT DUE IN ONE YEAR	1.50		1.45		1.50		1.45	
TOTAL TANGIBLE PROPERTY TO EQUITY	1.43		1.45		1.44		1.46	
INCOME BEFORE EXTRA ITEMS, ETC. TO EQUITY		16.27		15.90		16.28		15.
GROSS REVENUES TO TOTAL TANGIBLE PROPERTY	3.63		3.48		3.63		3.48	
TOTAL PAYROLL TO REVENUES		28.01		29.82		28.03		29.
TOTAL PAYROLL (INCLUDING PURCHASED TRANSPORTATION) TO REVENUES		49.71		50.47		49.73		50.

for the Years 1979 and 1978

res in Millions)

N	TOTAL UNDER $1 MILLION				$1-5 MILLION				$5-10 MILLION				OVER $10 MILLION			
	6				78				46				42			
%	1979	%	1978	%	1979	%	1978	%	1979	%	1978	%	1979	%	1978	%
	$ 0.24		$ 0.15		$ 9.51		$ 8.64		$11.41		$ 8.81		$72.09		$46.99	
	1.27		1.23		1.24		1.26		1.22		1.20		1.34		1.25	
	15.67		11.51		14.27		15.14		11.42		10.61		19.14		14.56	
	23.61		22.80		32.17		32.38		29.19		29.91		32.46		30.87	
	0.18		0.21		0.52		0.49		0.62		0.63		1.11		1.09	
	0.03		0.07		0.24		0.20		0.30		0.32		0.64		0.70	
	0.19		0.22		0.55		0.51		0.66		0.68		1.24		1.24	
84		339.71		290.49		268.21		253.10		217.76		215.96		242.56		240.80
49		128.70		111.30		68.92		69.60		61.49		62.90		44.95		45.33
15		12.26		13.35		10.31		8.72		12.13		10.10		11.85		9.04
	0.51		0.57		1.05		1.00		1.18		1.20		1.58		1.60	
	2.10		1.98		4.11		3.99		5.06		5.04		5.52		5.33	
	1.89		1.75		2.91		2.87		3.31		3.28		2.86		2.79	
	4.09		3.46		3.92		3.98		4.30		4.19		3.50		3.32	
	1.74		1.49		1.71		1.65		2.06		1.95		1.85		1.75	
44		6.65		5.15		4.38		4.22		3.72		4.38		4.45		4.49
77		12.55		9.01		12.74		12.13		12.31		14.38		12.74		12.54
18		6.98		6.43		3.59		3.19		3.20		3.26		3.03		3.16
13		14.65		12.72		14.76		12.72		16.19		16.43		16.72		16.84
97		22.44		17.13		16.62		15.48		18.94		20.30		19.09		17.88
	94.71		95.97		96.49		96.60		96.53		95.90		96.03		95.84	
	93.65		94.54		95.17		95.53		95.06		94.63		93.65		93.98	
	0.98		1.23		1.18		1.23		1.42		1.60		1.84		1.61	
	1.65		1.67		1.54		1.56		1.30		1.24		1.54		1.48	
	0.51		0.57		1.12		1.07		1.19		1.21		1.59		1.61	
93		14.65		12.72		14.67		12.70		16.01		16.52		16.73		16.51
	4.08		3.45		3.69		3.73		4.27		4.17		3.48		3.30	
84		16.33		18.57		28.58		29.55		28.08		29.95		27.95		29.86
48		43.39		45.97		46.20		46.65		49.68		50.04		50.19		51.08

Financial & Operating Statistics for

TOTAL ALL CARRIERS

NUMBER OF CARRIERS	136			
(ALL DOLLAR FIGURES IN THOUSANDS)	$ 1980 %	$ 1979 %	Percent Change	$ 1980
INCOME				
FREIGHT REVENUE—COMMON CARRIER				
FREIGHT REVENUE—CONTRACT CARRIER				
FREIGHT REVENUE—LOCAL CARTAGE				
TRANSPORTATION FOR OTHER CARRIERS				
OTHER OPERATING REVENUE				
TOTAL CARRIERS REVENUE	867,587	873,957		90,433
EXPENSES				
SALARIES OFFICERS & SUPERVISORY PERSONNEL				
SALARIES AND WAGES				
MISCELLANEOUS PAID TIME OFF				
OTHER FRINGE BENEFITS				
OPERATING SUPPLIES & EXPENSES				
GENERAL SUPPLIES & EXPENSES				
OPERATING TAXES & LICENSES				
INSURANCE				
COMMUNICATIONS & UTILITIES				
DEPRECIATION & AMORTIZATION				
PURCHASED TRANSPORTATION				
BUILDING & OFFICE EQUIPMENT RENTS				
GAIN (LOSS) ON DISPOSITION OF ASSETS (NET)				
MISCELLANEOUS EXPENSES				
TOTAL CARRIERS EXPENSES				
NET OPERATING INCOME	47,352	49,869		4,955
OTHER INCOME AND DEDUCTIONS				
INCOME FROM NON-CARRIER OPERATIONS				
INTEREST INCOME				
DIVIDEND INCOME				
EQUITY IN EARNINGS OF AFFILIATED COMPANIES				
LEASE OF OPERATING UNITS—NET				
OTHER NON-OPERATING INCOME—NET				
UNUSUAL ITEMS—NET				
GAIN (LOSS) ON DISPOSITION OF OTHER ASSETS—NET				
INTEREST & AMORTIZATION EXPENSE				
NET OTHER INCOME				
INCOME (LOSS) BEFORE TAXES				
TAXES				
PROVISION FOR DEFERRED TAXES				
ORDINARY INCOME				
TOTAL INCOME	18,056	22,494		2,131
OPERATING RATIO				

[1]Due to changes in ICC Reporting rules, only limited data is available for the First & Second Quarters of 1980 for carriers with less than $5 million annual revenues.

the First Half 1980 vs. First Half 1979

UNDER $5 MILLION			$5-10 MILLION				OVER $10 MILLION				
69			32				35				
%	$ 1979	%	Percent Change	$ 1980	%	$ 1979	%	Percent Change	$ 1980	%	$ 1979	%	Percent Change
				117,659	93.49	118,516	87.31	(.72)	623,192	95.68	615,975	94.85	1.17
				1,062	.84	7,975	5.87	(86.68)	9,057	1.39	12,292	1.89	(26.32)
				4,028	3.20	6,641	4.89	(39.35)	12,447	1.91	9,510	1.46	30.88
				1,326	1.05	1,744	1.28	(23.97)	3,317	.50	8,858	1.36	(62.55)
				1,770	1.40	862	.63	105.34	3,296	.50	2,776	.42	18.73
	88,808			125,845	100.00	135,738	100.00	(7.29)	651,309	100.00	649,411	100.00	.29
				5,734	4.55	5,722	4.21	.21	30,443	4.67	27,911	4.29	9.07
				30,336	24.10	37,693	27.76	(19.52)	157,558	24.19	171,937	26.47	(8.36)
				2,066	1.64	2,240	1.65	(7.77)	13,179	2.02	11,712	1.80	12.53
				9,692	7.70	10,133	7.46	(4.35)	48,452	7.43	48,432	7.45	.04
				25,679	20.40	25,557	18.82	.48	116,946	17.95	104,507	16.09	11.90
				2,675	2.12	2,675	1.97	.00	14,968	2.29	14,406	2.21	3.90
				3,880	3.08	4,493	3.31	(13.64)	18,697	2.87	20,036	3.08	(6.68)
				3,363	2.67	3,602	2.65	(6.64)	13,695	2.10	15,127	2.32	(9.47)
				1,682	1.33	1,693	1.24	(.65)	9,540	1.46	9,125	1.40	4.55
				6,557	5.21	6,322	4.65	3.72	39,381	6.04	36,993	5.69	6.46
				29,809	23.68	28,992	21.35	2.82	150,640	23.12	153,307	23.60	(1.74)
				791	.62	589	.43	34.30	3,689	.56	3,286	.50	12.26
				(893)	(.70)	(939)	(.69)	4.90	(7,717)	(1.18)	(8,485)	(1.30)	9.05
				646	.51	573	.42	12.74	3,700	.56	2,290	.35	61.57
				122,017	96.95	129,345	95.29	(5.67)	613,171	94.14	610,584	94.02	.42
	4,649			3,979	3.16	6,393	4.70	(37.76)	38,418	5.89	38,827	5.97	(1.05)
				52	.04	51	.03	1.96	183	.02	80	.01	128.75
				194	.15	149	.10	30.20	2,662	.40	1,863	.28	42.89
				12		21	.01	(42.86)	2		3		(33.33)
				150	.11				699	.10	277	.04	152.35
				(13)	(.01)	(11)		(18.18)					
				(47)	(.03)	(110)	(.08)	57.27	82	.01	(24)		
									(22)				
						31	.02		70	.01	178	.02	(60.67)
				2,525	2.00	1,911	1.40	32.13	18,257	2.80	14,252	2.19	28.10
				(2,177)	(1.72)	(1,780)	(1.31)	(22.30)	(14,581)	(2.23)	(11,875)	(1.82)	(22.79)
				1,651	1.31	4,613	3.39	(64.21)	23,557	3.61	26,952	4.15	(12.60)
				503	.39	1,345	.99	(62.60)	5,995	.92	8,022	1.23	(25.27)
				269	.21	303	.22	(11.22)	2,700	.41	2,767	.42	(2.42)
				879	.69	2,965	2.18	(70.35)	14,862	2.28	16,163	2.48	(8.05)
	3,366			846	.67	2,965	2.18	(71.47)	15,079	2.31	16,163	2.48	(6.71)
				96.95		95.29		1.74	94.14		94.02		.13

Composite Historical Financial Statement of the Tank Truck Industry 1975-1979

(All Dollar Figures in Millions)

TOTAL (ALL CARRIERS)	172		190		190		198		214	
INCOME STATEMENT	$ 1979	%	$ 1978	%	$ 1977	%	$ 1976	%	$ 1975	%
GROSS REVENUES	2,215.63	100.0	1,938.52	100.0	1,678.93	100.0	1,464.3	100.0	1,275.0	100.0
DEPRECIATION	119.89	5.4	104.85	5.4	92.26	5.5	83.6	5.7	84.0	6.6
PURCHASED TRANSPORTATION	487.80	22.0	414.00	21.4	347.67	20.7	305.4	20.9	255.8	20.1
TOTAL EXPENSES	2,084.62	94.1	1,826.99	94.2	1,593.68	94.9	1,390.9	95.0	1,225.4	96.1
NET CARRIER OPERATING INCOME	131.01	5.9	111.53	5.8	85.26	5.1	73.5	5.0	49.5	3.9
INTEREST EXPENSE	46.16	2.1	32.26	1.7	23.36	1.4	21.5	1.5	25.3	2.0
NET INCOME BEFORE TAXES	95.68	4.3	86.56	4.5	67.07	4.0	56.7	3.9	29.6	2.3
CURRENT INCOME TAXES	22.59	1.0	18.12	0.9	16.05	1.0	18.0	1.2	N/A	N/A
DEFERRED INCOME TAXES	7.07	0.3	9.09	0.5	6.17	0.4	1.9	0.1	1.6	0.1
EQUITY IN EARNINGS (LOSSES) OF AFFILIATES	3.34	0.2	2.47	0.1	1.73	0.1	1.5	0.1	0.9	0.1
NET INCOME AFTER TAXES	69.53	3.1	62.64	3.2	47.75	2.8	38.7	2.6	18.2	1.4
CASH THROW	193.14	N/A	174.11	N/A	144.46	N/A	122.7	N/A	102.9	N/A
AVERAGE REVENUE PER CARRIER	12.88	N/A	10.20	N/A	8.84	N/A	7.4	N/A	6.0	N/A
BALANCE SHEET: ASSETS										
CASH AND EQUIVALENTS	92.02	8.2	76.72	7.6	71.33	8.3	65.0	8.7	61.7	8.9
RECEIVABLES FROM AFFILIATED COMPANIES	41.85	3.7	35.61	3.5	28.37	3.3	26.1	3.5	22.6	3.3
NOTES AND ACCOUNTS RECEIVABLE	193.09	17.1	167.11	16.5	139.29	16.2	116.6	15.6	102.3	14.7
MATERIALS AND SUPPLIES	28.88	2.6	22.73	2.2	20.36	2.4	20.2	2.7	18.5	2.7
PREPAID ITEMS AND OTHER CURRENT ASSETS	39.75	3.5	38.10	3.8	34.39	4.0	29.3	3.9	26.5	3.8
TOTAL CURRENT ASSETS	395.59	35.1	340.27	33.6	293.74	34.2	257.4	34.5	231.7	33.4
CARRIER OPERATING PROPERTY (COST)	1,185.85	105.2	1,088.60	107.6	949.89	110.7	834.8	111.8	798.2	114.9
RESERVE FOR DEPRECIATION	582.24	51.6	538.99	53.3	499.94	58.2	457.0	61.2	442.1	63.7
NET CARRIER OPERATING PROPERTY	603.60	53.5	549.61	54.3	449.95	52.4	377.8	50.6	356.0	51.3
TOTAL INTANGIBLE ASSETS—NET	37.27	3.3	35.77	3.5	36.95	4.3	30.9	4.1	28.0	4.0
OTHER ASSETS	83.81	7.4	85.63	8.5	77.64	9.0	80.6	10.7	78.9	11.4
TOTAL ASSETS	1,127.43	100.0	1,011.28	100.0	858.28	100.0	746.7	100.0	694.5	100.0
BALANCE SHEET: LIABILITIES AND EQUITY										
PAYABLES TO AFFILIATES	18.14	1.6	17.26	1.7	15.20	1.8	17.5	2.3	N/A	N/A
NOTES PAYABLE	15.13	1.3	12.15	1.2	12.15	1.4	8.4	1.1	9.9	1.4
ACCOUNTS PAYABLE	102.31	9.1	96.88	9.6	78.23	9.1	69.1	9.3	94.1	13.6
MISCELLANEOUS PAYABLES	24.99	2.2	21.45	2.1	17.22	2.0	20.8	2.8	21.0	3.0
TAXES PAYABLE	17.44	1.5	16.60	1.6	13.25	1.5	14.7	2.0	4.6	0.7
FUNDED DEBT DUE IN ONE YEAR	80.03	7.1	72.82	7.2	66.08	7.7	58.4	7.8	59.3	8.5
OTHER CURRENT LIABILITIES	44.30	3.9	39.10	3.9	30.61	3.6	22.0	2.9	N/A	N/A
TOTAL CURRENT LIABILITIES	302.33	26.8	276.26	27.3	232.75	27.1	211.0	28.3	189.0	27.2
ADVANCES PAYABLE	16.21	1.4	13.95	1.4	18.14	2.1	14.9	2.0	15.0	2.2

1975-1979 STATEMENT (Continued)	$ 1979	%	$ 1978	%	$ 1977	%	$ 1976	%	$ 1975	%
FUND DEBT DUE AFTER ONE YEAR	312.61	27.7	277.05	27.4	251.51	27.0	181.4	24.3	175.8	25.3
TOTAL LONG TERM DEBT	328.82	29.2	291.00	28.8	249.65	29.1	196.3	26.3	190.8	27.5
TOTAL FUNDED DEBT	392.63	34.8	349.87	34.0	297.59	34.0	239.9	32.0	235.1	33.9
TOTAL LIABILITIES	701.14	62.2	630.85	62.4	533.10	62.1	454.3	60.8	379.7	54.7
RESERVES AND ESTIMATED LIABILITIES	9.85	0.9	9.35	0.0	8.66	1.0	10.6	1.0	9.7	1.4
ACCUMULATED DEFERRED TAX CREDITS	60.14	5.3	54.23	5.4	42.04	4.9	36.4	4.9	35.7	5.1
STOCKHOLDER EQUITY	426.30	37.8	380.43	37.6	325.18	37.9	292.4	39.2	269.4	38.8
TOTAL CAPITAL	755.11	67.0	671.44	66.0	574.83	66.0	488.7	65.0	445.2	64.1
TOTAL LIABILITIES AND EQUITY	1,127.43	100.0	1,011.28	100.0	858.28	100.0	746.7	100.0	694.5	100.0

Composite Historical Analytical Data 1975-1979

(ALL DOLLAR FIGURES IN MILLIONS)

TOTAL (ALL CARRIERS)	172		190		190		198		214	
ANALYTICAL RATIOS:	1979	%	1978	%	1977	%	1976	%	1975	%
LIQUIDITY DATA AND RATIOS:										
WORKING CAPITAL	$93.26		$64.01		$61.00		$46.40		$42.70	
CURRENT RATIO	1.31		1.23		1.26		1.22		1.23	
DAYS OF CASH OPER. EXPENSES IN WORKING CAPITAL	17.12		13.42		14.67		12.86		13.66	
AVERAGE DAYS COLLECTION PERIOD (DAYS)	31.81		31.46		30.28		29.06		29.27	
FINANCIAL RATIOS: LEVERAGE AND DEBT SERVICE										
TOTAL FUNDED DEBT TO EQUITY	0.92		0.91		0.91		0.82		0.90	
NET DEBT TO EQUITY	0.51		0.55		0.52		0.46		0.49	
TOTAL FUNDED DEBT TO TANGIBLE NET WORTH	1.01		1.01		1.03		0.91		1.01	
CASH THROW TO FUNDED DEBT DUE IN ONE YEAR		241.35		239.10		218.61		209.91		174.46
CASH THROW TO TOTAL FUNDED DEBT		49.19		49.76		48.54		51.15		43.80
NET CARRIER OPERATING PROPERTY TO EQUITY	1.42		1.44		1.38		1.29		1.32	
OPERATING AND EFFICIENCY RATIOS:										
GROSS REVENUES TO STOCKHOLDER'S EQUITY	5.20		5.09		5.16		5.00		4.73	
GROSS REVENUES TO TOTAL CAPITAL	2.93		2.88		2.92		2.99		2.86	
GROSS REVENUES TO NET CARRIER OPERATING PROPERTY	3.67		3.52		3.73		3.87		3.58	
GROSS REVENUES TO CARRIER OPER. PROPERTY (COST)	1.87		1.78		1.76		1.75		1.60	
NET INCOME AFTER TAXES TO STOCKHOLDER'S EQUITY		16.31		16.46		14.68		13.24		6.75
NET INCOME BEFORE TAXES TO TOTAL CAPITAL		12.67		12.89		11.66		11.59		6.64
NET INCOME BEFORE TAXES TO GROSS REVENUES		4.32		4.46		3.99		3.86		2.32
NET INCOME AFTER TAXES TO GROSS REVENUES		3.14		3.23		2.84		2.64		1.43
RETURN ON TRANSPORTATION INVESTMENT		18.80		18.17		16.68		27.32		12.42
OPERATING RATIO	94.09		94.24		94.92		94.98		96.11	
EXPENSE RATIO	96.17		95.91		96.31		96.45		98.10	

(*continued from page 5*)

The year 1979 proved to be a reasonably good one for an industry suffering from the rising price of fuel, labor unrest (including strikes and a partial shutdown caused by owner operators at mid-year), and the adverse impact of inflation on the cost of revenue generating equipment—all during a period of overall economic decline.

The average operating ratio for all carriers reached 94.09 in 1979, the best in recent history. With the exception of S-III, each segment reported favorable declines in operating ratio with S-IV reaching 93.65 in 1979—44 basis points below the tank truck industry average.

During this two-year period, operating expenses jumped $304.4 million and each of the four revenue segments posted increases in dollar volume. However, operating expenses, as a percentage of gross operating revenues, showed a general decline. Purchased transportation accounted for close to one-third of total operating expenses and all revenue segments showed that this item had increased as a percentage of gross operating revenues. While the amount and percentage of purchased transportation is directly related to economic activity, it appears that many carriers opted for this "off balance sheet" method of financing due to the escalating cost of revenue equipment and the methodology used in computing the fuel surcharge mandated by the ICC—without doubt, this trend will accelerate in the coming years.

With the assistance of rate increases and the fuel surcharge, gross operating revenues for the one hundred seventy-two carriers totalled $2.216 billion in 1979—a year-to-year gain of 17.3% (as mentioned earlier) an all time record high for the tank truck industry. Within the four revenue segments, each posted gains during the period with 42 largest carriers contributing $1.543 billion or 70% of the total for all one hundred seventy-two carriers. It is interesting to note that the top 10 carriers in the industry (by revenue) contributed $981.5 million or 44% of the total for all carriers. In fact, the largest 5 carriers (by revenue) contributed $714 million alone, or $41 million in excess of revenues generated by all of the 130 carriers with gross annual revenues of less than $10 million dollars combined. Obviously, these larger carriers impose certain aberrations on industry-wide statistics and the distortions which result must be considered when reviewing this analysis.

Average revenue per carrier rose $1.9 million to reach $12.9 million in 1979. Again, this average is distorted by the truly large carriers. The exact average revenues by segment were: S-I ($1.04 million), S-II ($3.42 million), S-III ($8.69 million), and S-IV ($36.73 million). In 1979, gross operating revenues to shareholder equity was directly proportional to revenue segment ranging from 2.10 in the smaller carrier group to 5.52 in the larger carrier group. Pre-tax income to gross operating revenues improved year-to-year for the smaller carriers in the two lower revenue brackets but declined among the larger carriers due to increases in interest rates for funded debt—especially among the largest 42 carriers. Within the tank truck industry, those with revenues between $5 and $10 million posted the only year-to-year decline in return on transportation investment, falling from 20.30% to 18.94% in 1979. Although S-II posted an advance in return on transportation investment, its 16.62% was the lowest among the revenue segments and 218 basis points below the industry average in 1979.

The industry showed continued improvement in liquidity with each revenue segment posting an increase in working capital. In general, days of cash operating expense in working capital lengthened in 1979. With the exception of S-II which showed a decline, S-I improved, S-III showed the most narrow coverage and the largest carriers were the best at 19 days—a 5 day improvement. Average days collection period was relatively stable year-to-year with some deterioration for the largest carriers of 32.46 days. Each revenue segment has a current ratio exceeding 1.2:1 which is adequate for this industry.

The tank truck industry posted a $51 million increase in total funded debt at year-end 1979. About seventy-five percent of this increase ($38.49 million) came from the larger carriers. While a discussion of cash flow or cash throw is usually called for in an analysis of this type, this industry is so modestly indebted that for each revenue segment, cash exceeds the current portion of long-term debt and depreciation alone is sufficient to cover funded debt due within one year.

Despite a troubled year, the operating results for 1979 were the best ever for the tank truck industry. The relatively large increase in gross revenues are somewhat deceiving because of the imposition of the fuel surcharge by the ICC—which reached 10.5% year-end. As a consequence of increased profitability, the industry's liquidity showed improvement and debt coverage remained stable. Intangibles, as a per-

centage of equity, were less than 9% in 1979, compared with the 15.1% figures for regular route general commodity carriers and 13.2% for the whole trucking industry.

First Half 1980 vs. First Half 1979

The statistics comparing the first half of 1979 and the first half of 1980 include only the 136 carriers filing comparable data for all those four quarters. Because of changes in the ICC reporting requirements, detailed expense and operating data is unavailable for carriers with revenues of less than $5 million. Therefore, when studying the 136 carriers included in the "full year 1979" composite, one must remember that the half year sample is not identical, however, one can say that the larger carriers are generally the same. Economically speaking, the eighties began as a disappointment for the majority of businessmen—with participants in the tank truck industry being no exception. Nearly every aspect of business was affected by turbulence in the economic and regulatory environments.

According to Federal Reserve statistics, retail and auto sales, as well as housing starts, slowed during the first half of 1980. The index of industrial production fell 2.1% in May, following a similar reduction in April. These declines were broadly based, reflecting reductions in output for all major product groupings. At the center of this domestic economic turmoil was inflation which continued to dampen prospects for economic recovery.

While the first half of 1979 began on a strong note, the first quarter of 1980 saw the beginning of a recession with traffic volumes off as much as 25-30% for tank truck carriers.

That trend continued during the second quarter as interest rates reached record levels. Fuel prices continued to be a problem, mitigated somewhat by the ICC's fuel surcharge and rate relief. Fortunately, however, fuel availability was not a problem during the first half of 1980.

Carrier revenues for the entire industry decreased during this period, for the first time since this analysis was published in 1970. The revenue figure (even with the fuel surcharge running between 11.5 and 13.0%) decreased 0.7% for the industry as a whole and 7.29% for the $5-10 million classification. Only modest increases were found in the largest and smallest carrier categories.

No one anticipated the record prime interest rate increases witnessed through July, 1980. The 28% change in interest and amortization expense that the 1979-80 comparable figures show for a significant segment of the industry (as great as 32% for the smaller carriers) was prompted by the rapid increase in short term borrowing rates impacting all carriers. The peak prime rate experienced in the Spring had a detrimental effect on the entire trucking industry because it is highly dependent on credit agreements tied to prime.

It should be noted, however, that even as important as interest rates are in the trucking industry's financial picture, the volume of freight available for carriers is dramatically impacted by shippers' reaction to those same increases. In other words, the tank truck carriers have less to haul when industry in general cuts back as demand decreases due to the stifling effect of high interest costs.

In the face of this adversity, the operating ratio for the largest two carrier groups, representing nearly 90% of total freight revenues rose less than 0.36 (94.60 in 1980 as compared to 94.24 in 1979).

Profitability, the reporting carriers' net income to total revenue, was nearly stable, 5.71 versus 5.46 in 1980. Net carrier income decreased 5% during this period. This relatively small decrease is due to rapid managerial response to the changing economic climate as volume dropped and interest rates skyrocketed.

Overall, the operating ratio stayed at nearly the same level as most expenses rose only slightly. Purchased transportation decreased and salaries as a whole went down 9% for the carriers filing data. Salaries and wages, as a percentage of revenue, decreased from 26.70 to 24.18, however, that savings was offset by increases in operating supplies and expense (principally equipment maintenance and fuel) of 1.78 operating ratio points.

As times got harder, carrier productivity seems to have improved, resulting in the minor operating ratio adjustment. Carrier management, reacting to the decrease in freight volume, sold off idle equipment. The gains realized in the disposition of this equipment cushioned the impact of declining activity and higher debt service. The timely response to the effects of the recession, equipment sales, postponement of purchases of new equipment, labor cost reduction through lay-offs and termination of short term owner operator leases en-

abled the carriers to survive the beginning of a bad year.

At the end of the first half, July 1 to be exact, President Carter signed into law the Motor Carrier Act of 1980. This legislation greatly changes the rules under which the Interstate Commerce Commission regulates the tank truck industry. Many changes can be expected in the environment that nurtured the entire trucking industry during the past 45 years.

In a larger sense, one cannot expect to see any immediate changes caused by the Motor Carrier Act in this analysis. First, the ICC has been "phasing in" the concept of liberalized entry during the late 1970's. This policy was simply codified by the 1980 legislation. Thus, one should not anticipate a cataclysmic upheaval, caused by "new" entrants into the tank truck segment (a scenario well within the realm of possibility in the dry freight sector).

The clientele of the tank truck industry is more sophisticated and relatively more concentrated than those of general freight carriers. The high capital cost of entering the tank truck business due to the specialized nature of the traffic and the equipment and handling techniques demanded by bulk transportation will tend to limit new entrants into the field, at least in the near term, and carriers will tend to compete with each other within a wider geographic and service spectrum.

The elimination of regulatory limitations will allow the expansion of existing carriers' service. Increased intra-industry purchase and merger activities can be anticipated and will further alter the historical service patterns found in this industry. Therefore, in the future, one can expect "evolutionary" rather than "revolutionary" changes in rate and service options offered to shippers as the tank truck sector concentrates and tailors its service to a new operating environment.

About the Author

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The Bank of America, N.T. & S.A. is the world's largest non-government bank with assets of $111.6 billion at year end 1980. The bank was founded in 1904 by A.P. Giannini, and has over 1,100 branches in California and a presence in 130 countries.

Glossary & Definitions

ICC Accounting Changes

The 1975, 1976, 1977, 1978 and 1979 composite financial statements contained herein have been completed in accordance with the latest standards in ICC Accounting Practices. Following are brief definitions of terms used in presenting the balance sheet, income statement, and financial ratios in this analysis.

GROSS REVENUES: The total of all revenues from transportation services. This account can be considered as an equivalent to a "sales" figure.

DEPRECIATION: Non-cash charges to income for use and obsolescence of fixed assets.

PURCHASED TRANSPORTATION: The costs of revenue equipment rented from others, whether affiliates or not, with or without hired drivers, as well as the costs of transportation purchased from railroads, airlines and water carriers. This account, when a low percentage, would indicate the carrier has a large number of company employees. Conversely, a large percentage would indicate little use of company employees.

OPERATING EXPENSES: Expenses which are directly a function of operations, including depreciation and purchase transportation. Non-carrier expenses and interest charges are not included.

NET OPERATING INCOME: Gross Revenues less Operating Expenses.

INTEREST EXPENSE: The cost, paid or accrued, of money from affiliates or others.

NET INCOME BEFORE TAXES: Income from continuing operations, after interest charges, but before income taxes and extraordinary gains or losses.

INCOME TAXES—CURRENT: Includes taxes paid to the federal government, state government as well as other taxes (such as local), if applicable.

DEFERRED INCOME TAXES: Taxes arising principally from the difference in handling certain assets, such as tires and tubes, for book and tax purposes. Deferred taxes also includes investment tax credits, if applicable. This account is used in the cash throw equation.

EQUITY IN EARNINGS OF AFFILIATES: An account used in the cash throw equation. As of Jan. 1, 1977, this account was removed from the "Other Income/Deduction" account groupings and placed after taxes.

NET INCOME AFTER TAXES: The sum of post-tax ordinary and extraordinary income.

CASH THROW: Net income after taxes plus depreciation, as defined, plus deferred income taxes accrued during the reporting period minus equity in the earnings of affiliated companies.

CASH: Cash, temporary investments, and special deposits.

CURRENT RATIO: The ratio of Current Assets to Current Liabilities, both as previously defined. The working capital requirements of motor carriers are not comparable with those of other industries since inventories are relatively minor and receivables turn over relatively quickly.

DAYS OF CASH OPERATING EXPENSES IN WORKING CAPITAL: To compute, (a) subtract depreciation and the gain (loss) from disposition of operating assets from Operating Expenses to get cash operating expenses; (b) divide cash operating expenses by 365; (c) divide the result into Working Capital. This ratio measures the ability of the carrier to meet daily operating expenses from working capital. To service debt, it is cash throw from ongoing operations, not a diminuation of current assets, which relevant, and, therefore, the Days Cash ratio is a better indicator of operational viability than the Current Ratio.

AVERAGE DAYS COLLECTION PERIOD: Notes and accounts receivable times 365 divided by gross revenues. This ratio is helpful in analyzing the collectibility of receivables.

FUNDED DEBT TO EQUITY: The ratio of total funded debt, inclusive of current maturities, to shareholders' equity. If current operations can be adequately funded from working capital, this ratio reveals the degree of protection afforded to long-term lenders.

NET DEBT TO EQUITY: Funded Debt due after one year less Working Capital, divided by Net Worth. A more sharply-honed version of the preceding ratio, since it does not include working capital, which ought to be sufficient to cover current operations.

FUNDED DEBT TO TANGIBLE NET WORTH: Total funded debt divided by shareholders' equity less intangibles. This ratio is another fine-tuned version of the debt to equity ratio in that intangibles are eliminated from stockholders' equity.

CASH THROW TO DEBT DUE IN ONE YEAR: Cash Throw divided by Current Portion of Funded Debt. This ratio, which indicates the ability to service the current portion of long-term debt principal, is useful for analyzing smaller carriers which finance equipment purchases on an installment basis. Since revolving credit arrangements do not provide for current maturities, the ratio will be misleading when applied to carriers using revolvers.

CASH THROW TO TOTAL FUNDED DEBT: This index reveals the proportion of Total Funded Debt that could be repaid in one year were all Cash Throw directed to that end. As such, it yields a better measure of the ability of carriers who use equipment revolvers to service their debt than does the preceding ratio. The reciprocal of this ratio is the number of years required to repay debt completely, and it may usefully be compared with the average remaining life of Carrier Operating Property.

INTEREST TO TOTAL FUNDED DEBT: This index shows interest payments as a percentage of total funded debt.

NET CARRIER OPERATING PROPERTY TO NET WORTH: As a measurement of owners' equity in operating property, this ratio points to relative adequacy of capitalization as well as to efficient use of capital.

GROSS REVENUES TO EQUITY: One of several measures suggesting degree of efficiency in employment of capital.

AFTER-TAX INCOME TO EQUITY: This ratio, return on shareholders' equity, indicates how well the owners' investment dollars are used.

GROSS REVENUES TO CARRIER OPERATING PROPERTY NET AND AT COST: These measures tell how much revenue is produced by each dollar of operating equipment and are another index of management's efficiency. They are best applied to year-to-year comparisons of the same or very similar carriers; the amount of purchased transportation employed can otherwise affect the validity of comparisons.

GROSS REVENUES TO TOTAL CAPITAL AND PRE-TAX INCOME TO TOTAL CAPITAL: Two additional operating ratios which measure the turnover of total capital on revenues and pretax income.

PRE-TAX AND AFTER-TAX INCOME TO GROSS REVENUES: Well-known measures of profitability. Since motor carriers typically show low margins on high volumes, even slight changes in these ratios may indicate disturbing trends.

RETURN ON TRANSPORTATION INVESTMENT: Net carrier operating income divided by carrier operating property, net, plus working capital expressed as a percent.

EXPENSE RATIO: Total Operating Expenses plus interest expenses as a percentage of Gross Revenues. Unlike the Operating Ratio, the Expense Ratio also takes into account the cost of borrowing.

OPERATING RATIO: Operating Expenses as a percentage of Gross Revenues. This is the single most important index of operating efficiency. Since it excludes extraordinary expenses, income taxes and interest, individual peculiarities are eliminated so that the ratio may be used as a measure of performance industry-wide.

TOTAL PAYROLL TO REVENUES: This ratio suggests the degree of efficiency with which labor is employed.

TOTAL PAYROLL (WPT) TO REVENUES: The ratio of Total Payroll (including Purchased Transportation) to Revenues is a refinement of the preceding ratio. It too reveals efficiency in the use of personnel resources; it is more meaningful than the ratio of Total Payroll to Revenues for analyzing carriers which rely heavily upon purchased transportation.

RECEIVABLES FROM AFFILIATES: Notes and accounts receivable due from affiliated companies.

NOTES AND ACCOUNTS RECEIVABLE: Trade receivables (billings to shippers), interline receivables (billings to other carriers), and other receivables.

PREPAID EXPENSES: Office supplies, taxes, license and other fees, insurance, interest, and warehoused tires and tubes. Under ICC rules, tires and tubes in use may be either expensed at the outset of use or relegated to this accrual category, according to the discretion of management.

MATERIALS AND SUPPLIES: These include fuel, spare parts, and tires and tubes which have not yet been mounted. Inventories may be expensed when purchased or as they are withdrawn for use.

OTHER CURRENT ASSETS: Includes the account termed other current assets and deferred income tax charges.

CURRENT ASSETS: The sum of cash, accounts receivable, prepaid expenses, materials and supplies, and other current assets.

CARRIER OPERATING PROPERTY (NET): A motor carrier's "inventory," that is, revenue producing fixed assets such as trucks, tractors, trailers, buildings, land, leasehold improvements, and office equipment, as valued at cost, less accumulated depreciation and amortization.

TOTAL TANGIBLE PROPERTY: Net carrier operating property plus other net non-carrier operating property. The "other" property accounts includes items such as land purchased for expansion, or buildings, etc.

INTANGIBLE ASSETS: A combination of (a) the carrying values of operating authorities from the ICC and state regulatory bodies and (b) goodwill, principally from acquisitions of other companies and their properties, being the excess of cost over the net book value of the assets acquired.

OTHER ASSETS: Investments in and advances to affiliated companies; deferred and miscellaneous debits.

PAYABLE TO AFFILIATES: Notes and accounts payable to affiliated companies.

NOTES PAYABLE: Short-term debt used for cyclical working capital purposes, such as for license fees and insurance premiums. The current portion of funded (long-term debt) does not fall into this category.

ACCOUNTS PAYABLE: Operational trade payables.

MISCELLANEOUS PAYABLES AND ACCRUALS: Unpaid salaries and benefits, including health and welfare and withholding taxes, accrued dividends and other miscellaneous accounts.

TAXES PAYABLE: Miscellaneous taxes due or accrued, such as income and highway use, but not deferred income taxes.

CURRENT PORTION OF FUNDED DEBT: The amount of funded debt due within one year. Under ICC accounting practices, this is now considered a current liability.

OTHER CURRENT LIABILITIES: Includes the current portion of advances payable, estimated accrued liabilities, other liabilities and deferred tax credits.

CURRENT LIABILITIES: The sum of notes payable, accounts payable, miscellaneous payables and accruals, taxes payable, the current portion of funded debt and other current liabilities.

ADVANCES PAYABLE: Contains the non-current portion of advances payable, both to affiliated companies as well as other business enterprises.

FUNDED DEBT: Secured or unsecured debt taken for a term greater than one year and used primarily for equipment and real estate purchases.

TOTAL LONG TERM DEBT: The sum of long term funded debt (excluding the current maturities) and long term advances payable.

TOTAL FUNDED DEBT: The total "borrowed" debt of a company including long term funded debt and the current portion of that debt. Long term advances payable are not included here.

RESERVES AND ESTIMATED LIABILITIES: Reserves covering cargo loss and damage and self-insurance programs.

ACCUMULATED DEFERRED TAX CREDITS: Deferred income taxes resulting from the difference between book and tax treatment of depreciation.

TOTAL LIABILITIES: The sum of current liabilities, total long term debt and reserves and estimated liabilities.

SHAREHOLDER'S EQUITY: The equity in the assets held by proprietors, partnerships, and stockholders; comprises all classes of capital stock, capital surplus, and retained earnings, net of treasury stock. Also includes as of Jan. 1, 1978 the equity of minority shareholders of subsidiaries.

TOTAL CAPITAL: Total long term debt (funded debt due after one year and non-current advances payable) plus stockholder's equity.

WORKING CAPITAL: Current Assets less Current Liabilities.

A WORD ABOUT THE PUBLISHER

National Tank Truck Carriers, Inc. is the international trade association of the for-hire tank truck industry.

Its members are domiciled in, and operate throughout, the 48 Continental United States. It is estimated that NTTC represents over 75% of the for-hire tank truck capacity in the United States. Additionally, the Association has members in Canada, Mexico, South Africa, New Zealand, Japan, Brazil, and Australia.

Important to note is the fact that the statistical compilations in the publication represent the statements both of NTTC members and of non-members.

National Tank Truck Carriers is primarily responsible for the representation of its member carriers before the public and before various state, local, and Federal government entities, particularly the Interstate Commerce Commission, the U.S. Department of Transportation, and the U.S. Environmental Protection Agency.

The Association staff prepares (on a regular basis) numerous publications such as Newsletters, Membership Bulletins, Hazardous Commodity Handbook, regulatory summaries, and an annual Directory.

Additionally, a twenty-four hour, seven-days-a-week telephone news service is available to member carriers.

NTTC, through various specialized groups of member company personnel, provides forums for the exchange of viewpoints and expertise in the areas of safety, carrier financing, and management training. For instance, the NTTC Middle Management Seminar, held annually at Purdue University, provides training in management development techniques for member carrier personnel.

Through their Association, tank carrier members constantly maintain liaison with similar groups representing our industry's manufacturers and customers. Some of these groups are the Truck Trailer Manufacturer's Association, the American Petroleum Institute, the Chemical Manufacturers Association, the Fertilizer Institute, and the Compressed Gas Association.

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